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National savings banks.

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NATIONAL SAVINGS BANKS.

SUGGESTIONS

FOR RENDERING SUCH

SAVINGS BANKS SELF-SUPPORTING;

TO

INCREASE EFFORTS THROUGH THEM FOR THE PROMOTION OF MORAL AND PROVIDENT HABITS IN THE CLASSES OF THE COMMUNITY FOR WHOSE BEHOOF SAVINGS BANKS WERE INSTITUTED,

AND TO REMOVE FROM THE PUBLIC FUNDS THE PRESENT EVIL INFLUENCE OF SAVINGS BANKS.

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LONDON:

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MD.CCCXLVII.

SUGGESTIONS, &c.

CONTENTS.

Introduction, p. 3.—Individual limits to Deposits, p. 7.—Cost per Account, p. 7.—A per-centage, or difference on Interest, unsuitable for providing for expenses, p. 7.—Different mode proposed, Proposed Data, p. 10.—Cost, and application of this to details, p. 11.—Present misuse of S. Banks, and their proper use, p. 14.—Farther limitation of Deposits recommended, p. 17.—Rate of Interest, p. 18.—Interest should be steadily regulated, p. 18.—Loss to the Government by a fixed rate of Interest, p. 20.—Gain to the Government if properly regulated, p. 23.—Effect of reversing the present usage, p. 24.—Appendix—Checks against abuse of the data proposed, p. 27.—Re-application of sum saved, p. 29.—Sources at Savings Banks of additional Revenue, p. 29.—Ordinary Expenses of such Establishments, p. 31.

Introduction.—To improve the efficiency of Savings Banks, to alter the management of them so as even to render them self-supporting, and to remove from the money market the present evil influence of these institutions,—may seem rather a large promise. Again, the fulfilment of this promise may be the more readily doubted, because our suggestions are made at an emergency—not from choice perhaps, but necessity. But nothing less than necessity for change could have induced us at any time to step, as we now do, beyond the common routine of our duty.

We shall endeavour, by as few introductory words and figures as possible, to explain existing objections and the remedies proposed, and thus, in some satisfactory measure, prepare the way for our readers who may not have been previously acquainted with the details of this subject.

The saving of national expense was not the end at first sought. The possibility of so doing became apparent, as our calculations and enquiries advanced.

The causes that led to investigation were :—

I. It had become apparent in many Savings Banks that the performance of their especial and proper duty would ere long cease to be possible.

II. It had been observed, that Savings Banks had been getting quite out of their own peculiar and proper sphere of duty.

III. It had been felt that remedies applied as yet by Government only aggravated those evils ; and suggestions as to remedies, emanating from Savings Banks, had afforded no security for improvement : it being also felt that the evils referred to, and others, are all traceable to two sources, viz. :—

To the present way of providing for the expenses of management in Savings Banks, and (as regards depositors) to the effects produced by the combined influence of a rate of interest that has been, on an average, too high, and from its being a fixed or arbitrary rate of interest ; and that this arbitrary rate of interest would farther be productive ere long of a rapid succession of serious losses to the Government.

For the sake of convenience, we assume that the amount of the funds of the Savings Banks is thirty millions ; that this sum is all invested in the public funds ; and (without regarding any temporary deviations in price) that the rate of interest allowed by the Government to the trustees of Savings Banks, exceeds the return from the funds by one quarter per cent. This is a less excess of interest than has ordinarily been paid by the Government. To this extent, then, there has been an admitted annual loss ; bestowed, no doubt, as a bounty for the benefit and furtherance of such institutions ; briefly thus :—

Loss—certain—of one quarter per cent. *beyond* the return from the public funds, on thirty millions Sterling, with L.5000 for Brokerage, &c. . .	L.80,000
NOTE.—This L.5000 comes into both views : its precise accuracy is thus immaterial.	
Estimated, or additional average loss on the purchase and sale of Stock, caused by the rate of interest being fixed for long periods, and of which more shall be said hereafter, .	75,000
Annual Loss,	L.155,000

GAIN—according to the arrangements proposed and explained hereafter, but exclusive of what we shall term *natural gain* :—

Interest to the Trustees of Savings Banks, at one quarter per cent. *under* the return made by the public funds, . . .	L.75,000
Deduct—Cost of Management of the Savings Banks, including (as above) L.5000 for Brokerage, &c., and L.2500 for Inspectors, (*see page* 11.) .	61,875
Annual Surplus, or Gain,	L.13,125

DIFFERENCE—

By the existing system—annual loss, .	L.155,000
By the proposed system—annual gain, .	13,125
Annual Difference, or Sum saved,	L.168,125

The items admitting of comparison in the two first statements, are—the sum of L.80,000, (which needs no explanation,) with the sum of L.61,875, as precisely the same duty has to be performed for each.

At page 10, will be found, under "PROPOSED DATA," the elements of this latter sum.

At page 11, the same elements are thrown into a tabular form, (*Example 4th,*) and applied to Banks A. B. C. D. E. F. and G. there indicated.

At page 11, the *proposed* elements, (*Example No. 5,*) are allocated on the lowest line as they would apply in detail to individual accounts or balances; and in contrast with the same kind of allocation, under the *present* system, on the middle line.

From these three lines of figures under Example No. V., a good deal is to be learned by mere inspection; and we may only here remark, in regard to the middle line, the "one quarter per cent." (the cost *per annum* to the Bank being 1s.) that there is superfluity on the extreme left, and deficiency on the extreme right; that this is not conducive to the progress of Savings Banks in their proper sphere; and that the scale of the lower line is more suitable, as it renders it a possible thing at least, to carry on the small Balances with or without those of larger amount.

The estimated, or additional average loss, in the Statement above, headed Loss, (L.75,000,) is explained at page 20. It ought to cease entirely, and certainly would cease.

In the Statement headed Gain, the L.75,000 is simply a reduction of interest to the extent of one quarter per cent. below the return from the funds, which may seem an easy mode of securing gain. But it is not all loss to the depositors, because few Savings Banks give so much as three per cent.—the assumed ordinary return from the public funds; and, the giving of a rate of interest that of itself affords an attraction in Savings Banks, is, as we venture to maintain, the very thing that has taken them out of their proper course; and yet, situated as they have been, those in charge of Savings Banks could not heretofore very well correct this.

The question is, How can Savings Banks be conducted, and led back to their proper sphere, so as to covet their own class of customers only? No suitable suggestion for this has yet come under our notice; and we refer to the following explanation of a mode that seems practicable and simple.

It is repeated, that while gain to the Government, in place of severe annual loss, is the result, this was not the end sought for; our first purpose having been to support a number of Savings Banks, that are fast breaking down under the present system, *because* the Balances held by them are not individually large!! and to render all Savings Banks more thoroughly effective in their proper sphere.

The subject of National Saving Banks needs attentive consideration, that its magnitude may be rightly estimated. The principles of a National Establishment are in progress of formation, and the result of present arrangements must be incalculable good or evil. The founder of the "Parent Society,"* the Rev. Henry Duncan, D.D., had great moral and economic ends in view,—but in the direction of these views, little true advance, over the three kingdoms, has yet been made. Money has been collected to a large amount, but not generally from the desired quarters. The good work itself has not progressed in proportion. Safe and suitable principles have not been enquired for, or solely trusted.

Governments heretofore have favoured Savings Banks, by fixing the rate of Interest allowed to their Trustees at rather a high average. The

* Pratt's History of Savings Banks, 1842, page 19.

extent of this favour at the time of the passing of the Act of 9th August 1844, as explained by the Government of that day, was intended to be one quarter per cent.; the Government also having to pay the requisite brokerage, and the additional expense caused by the Savings Banks at the National Debt Office. The rate of Interest fixed by that Act is L.3, 5s. per cent.

The Act does not allow the Trustees of Savings Banks to pay to their depositors a rate exceeding L.3, 0s. 10d. per cent. It was estimated that the quarter per cent. should suffice for expenses of management, and that, in general, depositors could therefore be allowed three per cent.

Individual Limits for Deposits.—Depositors may lodge in a Savings Bank in one sum, or in any number of sums, to the amount of L.30 in one year,—but not less than one shilling at a time, nor in all more than L.150 of principal,—and this may be increased by its interest until it reaches L.200. The extreme limits, then, of a Savings Bank Deposit Account, in the name of a private depositor, is L.200; except in the case of some of the earlier formed establishments, that have the privilege of retaining larger amounts.

The Cost of each Depositor's Account to the Trustees of a Savings Bank is very variously estimated. In institutions where there is the ability to pay liberally for management, this estimate is high. In others, where the depositors belong more to the labouring classes, and where consequently the average sum at individual credits is comparatively small, necessity has brought about the utmost possible economy. Few Savings Banks have, however, been long conducted in an efficient manner at a rate less than one shilling per annum for each individual deposit account. We shall therefore hereafter assume this as the sum that must be at the disposal of the Trustees for expenses of management. It can scarcely be requisite to point out that, *ceteris paribus*, the expense is the same to the Trustees, whether the depositors be generally of a class of persons who can keep one hundred pounds or five pounds at their credit in the Bank-books. The tendency to excess of expense is decidedly indeed on the side of the latter class of persons, because those whose balances, and whose gatherings, are in a small way, are apt to be the most frequent visitors to the Bank.

Present Provision for Expenses of Management.—This at present, as we have already said, consists of a *per-centage*, or difference of interest, which is a most unsuitable principle for the expenses at a Savings Bank. Its tendency is to cause the larger class of deposits to be sought after. And if the depositors belong to the wealthier classes, the profits are not only considerable, but the Trustees have a much greater surplus than is requisite at their disposal. Again, if a reason exists that *prevents* the larger class of sums from being deposited in any Savings Bank,—or if there is a predisposition to saving amongst the labouring classes in one district more than elsewhere, or if great efforts to spread this habit

amongst the labouring poor have proved successful,—then, according to the present *mode* of providing for expenses, that provision will be inadequate, and serious difficulties ensue.

Upon the whole, the Government bounty—the sum of one quarter per cent.—is ample, but unequal in its allocation.

Example No. I.

The following tabular view illustrates the fact that the present plan of providing for expenses creates a strong temptation,—

1st, To *encourage* the deposit of the larger class of balances.

2d, To *discourage* the holding of the smaller class of balances.

Individual Balances.			One Quarter per Cent.	MORE or LESS than 1s.	
Balance	A.	L.200	yields at $\frac{1}{4}$ per cent. 10s.,	which is more than 1s. by	9s.
,,	B.	150	,, 7s. 6d.	,,	6s. 6d.
,,	C.	100	,, 5s.	,,	4s.
,,	D.	50	,, 2s. 6d.	,,	1s. 6d.
,,	E.	45	,, 2s. 3d.	,,	1s. 3d.
,,	F.	40	,, 2s.	,,	1s.
,,	G.	30	,, 1s. 6d.	,,	6d.
,,	H.	20	,, 1s.	equal to 1s.	—
,,	I.	15	,, 9d.	*less* than 1s. by	3d.
,,	J.	10	,, 6d.	,,	6d.
,,	K.	5	,, 3d.	,,	9d.
,,	L.	1	,, $\frac{6}{10}$d.	,,	$11\frac{4}{10}$d.
,,	M.	5s.	,, $\frac{3}{20}$d.	,,	$11\frac{17}{20}$d.

The balance of L.20 at H. yields, at one quarter per cent., exactly 1s., and so exactly provides for its own expenses. All the sums above L.20 yield an independent profit; all the sums below that amount occasion decided loss. The gain on the L.45 balance is 1s. 3d.; the loss on the L.10 balance is 6d.

The assumption of the Legislature is, that there will, in all Savings Banks, be a good mixture of different amounts; that in all Banks the *average* amount of individual balances will be much the same; that neither artifice nor accident shall materially effect this average. But how stands the fact?—

In Mr Tidd Pratt's history of Savings Banks, compiled from the official returns, it is shown that this *average* varies from L.45 to L.10. The effect is trivial loss or gain, in individual cases, but not trivial in the aggregate results.

Example No. II.

Assuming the total capital of a Bank to be L.200,000, and of course the quarter per cent. to amount to L.500.

Average Balance.			No. of Accounts.	Annual Cost at 1s. each Account.			More or less than 1s. per Account. More.			Less.		
		L.		L.	S.	D.	L.	S.	D.	L.	S.	D.
Bank	A.	45	4444	222	4	0	277	16	0	...		
,,	B.	40	5000	250	0	0	250	0	0	...		
,,	C.	30	6666	333	6	0	166	14	0	...		
,,	D.	20	10,000	500	0	0	...			...		
,,	E.	15	13,333	666	13	0	...			166	13	0
,,	F.	10	20,000	1000	0	0	...			500	0	0

Example No. III.

Assuming the number of accounts to be 10,000, and the requisite annual expense to be therefore L.500.

Average Balance.			Total Capital.	One Quarter per Cent.	More or Less than 1s. —per Account. More.	Less.
		L.	L.	L.	L.	L.
Bank	A.	45	450,000	1125	625	...
,,	B.	40	400,000	1000	500	...
,,	C.	30	300,000	750	250	...
,,	D.	20	200,000	500	...	...
,,	E.	10	100,000	250	...	250
,,	F.	5	50,000	125	...	375

A Savings Bank in the position indicated by the average at B or C, under Example No. III. may be an exceedingly useful establishment. It must hold many considerable investments; but it may also serve truly in its district the purposes of a Savings Bank, though it cannot be doing so in the same proportional measure as D, E, or F. It is comparatively a quiet and easy undertaking to reach the position of B or C, and a remunerating one when attained. To bring about the position of E or F must have taken enormous labour, which has ended in an annual pecuniary loss of L.250 or L.375, the result of being SUCCESSFUL in spreading provident habits in the class of society for which Savings Banks were intended. This is discouraging. Zeal to promote the habit of depositing by the LABOURING CLASS will cool under it. The temptation to check such unproductive duty, may be yielded to, and efforts rather used to procure, if possible, deposits of a kind that pay expenses. It is highly creditable, then, that under such a system, small deposits have been even so far encouraged as they have been.

Not only, however, has the system worked mischievously by such temptations,—but, to avert ruin, it has at times driven those responsible for the expenses of management at Savings Banks out of the path they were otherwise desirous to follow.

The following basis of a provision for expenses, would remove existing fears, infuse new motives, and lead to more beneficial results.

PROPOSED DATA (BY WAY OF ILLUSTRATION) ON WHICH TO FIX THE PROVISION FOR EXPENSES.

1*st*, The sum of one shilling per cent. per annum, on the amount of accumulated capital, as at 20th November.

2*d*, Two pence on each account in the books, to which Interest is added at the 20th November.

3*d*, Ten shillings per cent. on the *number* of operations by depositors during the year ending at the 20th November.

4*th*, Fixed Allowance—which need very rarely be altered, and in a well worked locality, would be reasonably fixed at three-fourths of the ordinary amount of the two preceding items, though the population, &c. might at times, or at first, be also kept in view.

Should this system put life and energy into Savings Banks, and enable those to go on that must otherwise be shut up, (because their depositors are of the classes who hold small balances,) it could not fail to be satisfactory to the Chancellor of the Exchequer.

COST TO THE PUBLIC of this method.—Taking the accumulated sum again at L.30,000,000 ;

One shilling per cent. per annum on the amount of capital,		L.15,000
Two pence on each account, the average Balance over the three Kingdoms being about L.30, there are of accounts in number,	1,000,000	
But on about one-tenth of these Interest is not added at the 20th November,	100,000	
Leaves,	900,000	
At two pence each, is equal to	L.7,500	
Ten shillings per cent. on three millions per annum of operations,	15,000	
		22,500

NOTE.—The average is three operations per annum for each account,—of which hereafter.

Fixed allowances at three-fourths of the amount of the two last,	16,875
Carry over, Sum,	L.54,375

Sum—Brought over,	L.54,375
Brokerage and expense at the National Debt Office, as before,	5,000
Inspectors, ...	2,500

NOTE.—Inspectors are proposed as likely to be highly beneficial; but not as more necessary under this, than the existing system, in which, therefore, the same charge should be included in a comparison of cost.

Total cost to the Government 4s. 1½d. per cent. on L.30,000,000, or per annum, . . .	L.61,375
Cost by the existing system, exclusive of Inspectors,	30,000
Difference—saving of 1s. 2½d. per cent., .	L.18,125

The practical application of this scale to existing Savings Banks is shown thus:—

Example No. IV.

Number of accounts,—say 5,000.

1 Total Capital.	2 Average Balance on Accounts.	3 1/ per cent. on Capital.	4 Two-pence per Account.	5 10/ per hundred of Operations.	6 Fixed Allowance, 3—4ths of Nos. 4 & 5.	7 Total of 3, 4, 5, and 6.	8 Equal for each Account to.
£	£	£ s.	£ s. d.	£	£ s.	£ s. d.	s. d.
Bank A, 225,000	45	112 10	41 13 4	75	87 10	316 13 4	1 3^3
... B, 200,000	40	100 0	41 13 4	75	87 10	304 3 4	1 2^7
... C, 150,000	30	75 0	41 13 4	75	87 10	279 3 4	1 1^6
... D, 100,000	20	50 0	41 13 4	75	87 10	254 3 4	1 0^3
... E, 75,000	15	37 10	41 13 4	75	87 10	241 13 4	0 11^6
... F, 50,000	10	25 0	41 13 4	75	87 10	229 3 4	0 11
... G, 25,000	5	12 10	41 13 4	75	87 10	216 13 4	0 10^4

As contrasted with the existing state of things, the result at col. No. 8, stands thus:—

Example No. V.

Shewing the effect on Balances from L.5 up to L.200.

Individual or average Balance.	£200,	150,	100,	50,	45,	40,	30,	20,	15,	10,	5,
Present system, or one quarter per cent. on the sums above.	10/	7/6	5/	2/6	2/3	[2/	1/6	1/	/9	/6	/3
Proposed system, by the plan of the Table, Example No. IV. above.	$2/9^1$	$2/3^1$	$1/9^1$	$1/3^{10}$	$1/3^3$	$1/2^7$	$1/1^6$	$1/0^3$	$/11^6$	/11	$/10^4$

There is here, by the lower or proposed scale, an advantage still ceded to those Banks holding the larger balances. A balance of L.200 produces 2s. 9^{1}d., which is 1s. 9^{1}d. more than the cost of keeping the account. A balance of L.45 produces 1s. 3^{3}d., which is 3^{3}d. more than the cost of keeping the account. Again, a balance of L.15 produces now 11^{6}d., the loss on it is only $\frac{6}{12}$d., in place of 3d. as before. A balance of L.10 produces 11d. which leaves a loss of only 1d., in place of a loss of 6d. as before; and a balance of L.5 produces 10^{4}d. which leaves a loss of 1^{8}d., in place of a loss of 9d. as before.

The holding of large balances is less munificently rewarded. The holding of small balances is only less severely discouraged. It is only made possible to carry on a Savings Bank with an average balance of L.15, L.10, or L.5. It remains more remunerating by fifty per cent. to carry on one with an average balance of L.45. We cannot admit that there is any sound Savings Bank reason for still thus far proposing to encourage large sums. This is only a concession to the existing state of things; and because, perhaps, there may be said to be more risk in dealing in such sums.

It cannot be necessary to describe minutely the existing Institutions which we now in particular desire to uphold, and for the future to secure —namely, those Savings Banks that have numerous small, but few, or no large Balances: our views and proposals indicate their nature. They are what the Legislature *intended* that all Savings Banks should be. If they, with their small average Balances, are not worth keeping up, then the common run of Savings Banks must be far less so. If the latter are useful to the classes of people intended to be improved and benefited, those we have indicated are more exclusively useful, simply because more exclusively Savings Banks. Yet if a reform is not granted, (or the interest raised as a *temporary* remedy,) these are the very Savings Banks that must very soon be shut up. To repay the accumulations belonging to twenty-five thousand people, (the number of depositors in one Bank alone,) of whom twenty thousand are the owners of sums that average less than L.5 each, would not be a wise thing to permit. But to go on quietly at a risk amounting almost to certainty, of such an annual loss as stands before us, would be greater folly, because it could not fail to come to even a worse end.* Those holding themselves responsible, could

* There should be no mystery or concealment respecting the affairs of a National Security Savings Bank. But to prevent our plainness from being misunderstood, it is proper to add, that there can be no cause for alarm in the minds of Depositors. Their funds must remain entire, and in the hands of the commissioners, who are responsible for the amount; and those on whom the loss (by expenses of management) would fall, would be careful, for their own sakes, to bring matters to a point, ere they suffered much. Notwithstanding the prodigious number of accounts above referred to, there would be no difficulty in doing what might be requisite speedily, when the course of procedure is once determined on; and any one desiring to understand the internal system of these Banks, by inclosing fourpence in stamps for postage, may obtain "Outline of the System of Balancing," from the N. S. Savings Bank at Edinburgh.

not, if they would, meet the loss, beyond a definite time, and whence the need of it? Even were the remedy to be applied separately to Scotland, it is still an easy one. But to introduce it generally would be a signal benefit to the nation,—to infuse new life into Savings Banks,—to enable them to return (at present they cannot do so) back to their own proper field and sphere of usefulness,—to purge them by degrees of the ill effects of misdirected favour from the State.

No amount of liberality on the part of Government, in the present form of it, can correct this evil. The rate of Interest to the trustees of Savings Banks, under the 9th Geo. IV., ch. 92, from 1823 to 1844, was L.3 16 0^{6}

The maximum rate allowed to be paid to the depositors by the Trustees of Savings Banks, under that Act, was - 3 3 5^{3}

Difference, L.0 7 7^{3}

This was then the minimum (not maximum) rate per cent. applicable to expenses of management; and on thirty millions Sterling, this percentage amounts to - - L.114,000 0 0

Which being exclusive of brokerage, &c., was more than double the sum actually required; yet, from the principle of its distribution, quite inefficient in reference to the desired end.

Most Savings Banks, at that time, *reserved a larger difference;* and this we do not state as a fault: the allocation of that difference was so unsuitable, that the most usefully conducted Savings Bank might, on that very account, be under the necessity of doing so.

Example No. VI.

No. I. Exhibits the effect or application of a difference of interest in favour of Trustees of - 3/4 per cent.
No. II. ... ... of ... ... $7/7^{3}$ ...
No. III. ... ... of ... ... 5/ ...
No. IV. ... ... of the mode of provision for expenses now suggested, and which would at present cost the nation about - - $4/1^{6}$ ...

Average or Individual Balances.	£200	150	100	50	45	40	30	20	15	10	5
No. I. 3/4 per cent.	16/3	12/6	3/4	4/2	3/9	3/4	2/6	1/3	1/3	/10	/5
No. II. $7/7^{3}$ per cent.	$15/2^{6}$	$11/4^{10}$	$7/7^{3}$	$3/9^{7}$	$3/5^{1}$	$3/0^{6}$	2/4	$1/6^{3}$	$1/2^{1}$	$/9^{2}$	$/4^{7}$
No. III. 5/ per cent.	10/	7/6	5/	2/6	2/3	2/	1/6	1/	/9	/6	/3
No. IV. $4/1^{6}$ per cent. or *proposed mixed basis.*	$2/9^{1}$	$2/3^{1}$	$1/9^{1}$	$1/3^{10}$	$1/3^{3}$	$1/2^{7}$	$1/1^{6}$	$1/0^{3}$	$/11^{6}$	/11	$/10^{4}$

At No. I. No. II. and No. III., the contrasts of the extreme left and extreme right are alike unsuitable, when it is recollected that one shilling is the sum really requisite.

If the rate of interest at Savings Banks is higher than is elsewhere offered, depositors of the classes indicated towards the L.200 or left of the top line of figures, will flock to them. The influx of these cannot be entirely prevented, and it may not even be attempted to prevent them. The lines of figures opposite to No. I., No. II., and even No. III., shew that a very ample provision for expenses of management must result. It will be possible also, (under the estimate of 1s. for each Deposit Account,) under the rates No. I. and No. II., to carry on a Savings Bank with an average balance so low as between L.10 and L.15 in either case.

When the rate of 5s. per cent. opposite to No. III. came into operation, that possibility ceased. It became essential, (whether otherwise desired or not,) to aim at larger balances. The sum of twenty pounds became the turning point. *First*, then, Sums individually larger must be sought after; or else, *Second*, Hindrances must be put in the way of the deposit of small sums by poor people, in order to reduce expenses.

On reference to the line of figures opposite to No. IV., it is plain, *First*, That temptations to work towards the left hand, are, comparatively speaking, small. *Second*, That, (whether as the result of previous disposition, or as the fruit of labour bestowed upon them on that subject,) should the labouring poor betake themselves in large numbers to the Savings Banks, it is possible to accommodate them, even down to the extent of an average balance of L.5, which, of course, implies a large proportion of balances under L.5.

The existing plan of a per-centage is a principle; but as applied to the expenses of a Savings Bank, it works in exactly the wrong direction. An increase in the rate of it may be turned to its intended purpose—to the cultivation of small accounts; or it may not be so applied at all, while its diminution directly limits the possibility of this kind of moral culture.

Present Savings Banks.

Over the greater part of Great Britain and Ireland, Savings Banks, in a short-sighted view, serve various purposes, more or less useful; but which purposes are chiefly not those originally contemplated.

They are used—

1. *As places of fixed investment* for sums of moderate amount, that have been, or might be, invested otherwise, though perhaps less securely or less profitably. Amounts beyond the limits set by the Acts are deposited when desired, by using the names of children, or other confidential persons; and thus, also, the average balance does not in such Banks indicate the average amount of what are correctly individual interests.

2. *As Commercial Banks.*—Where Commercial Banks are not conveniently situated, or where or while they allow no interest, or a very small rate of interest on deposit accounts, the Savings Banks are resorted to

by persons in business—as shop-keepers, farmers, agents, traders of all kinds—who wish to keep at command such funds as they have, and also —to a very large extent—by persons living on a moderate independence. In this manner such Savings Banks supply the accommodation of the ordinary Commercial Banks' Deposit Account system.

3. As places of deposit for *small sums*. Accounts in this class are begun with a small saving, or some little casual sum, which is added to, as circumstances admit. This Section (which owns but a small part of the present L.30,000,000,) comprehends the industrious and saving of the labouring and operative classes, the masses, domestic servants, and of course a vast *number* of persons, young and old, in very poor circumstances, to all of whom the smallness of the sums received and paid at the Savings Bank, is a convenience and benefit not afforded by other Banks.

Where the Savings Bank depositors of the first and second of these divisions are numerous, those of the third division are generally few, not relatively only, but actually. Where those of the first and second divisions are otherwise well accommodated, the third division is more exclusively cultivated, and they are thus more numerous. Were deposit accounts of this third division alone carried on at all Savings Banks, these institutions should then be exclusively useful. They would exactly come up to the desire of the Legislature; but the Legislature itself has rendered this impracticable. This is the division—the class of accounts, that the existing mode of securing repayment of expenses *omits* to provide for; and thus such a Savings Bank really cannot exist. The existing provision for expenses is liberal enough; but then it is in proportion to the amount of work done that is *not* useful.

Our object is to put an end to, or at least to soften the severity of the penalty for being in the path of duty, and to lessen the temptation to depart out of it. By regulating the provision for expenses on a more suitable basis, Savings Banks doing what the Legislature desired could be continued, and others over all the three kingdoms would commence vigorously the same combined system of pecuniary and moral culture. Five hundred or a thousand agencies, with tenfold that number of agents, aided by the printing press, could not then fail to produce a beneficial influence amongst the surrounding populations.

Not only are the persons composing our third division, the peculiarly proper contributors to Savings Banks, but even in their case, it is *their first few deposits* that are truly important and critical. These decide the future habits of life. The germ of frugal habits is perhaps first implanted with the first deposit; but its hold of the mind is feeble; it is the repetition for a few times of the frugal practice that confirms the habit. This habit, (which is of more value than all the money that may be saved,) if once acquired, will survive though Savings Banks cease. It is as fully acquired in the accumulation of L.5 by sums of 2s. 6d., as in the accumulation of L.100 by sums of L.10; hence the importance of

small first attempts. The initiating and fostering of habit, at its earliest stage, surpasses in importance all the other duties of the Savings Bank.

The payment of money-wages is now universal. The ties of the feudal times no longer exist, at least in cities. Poor-rates are degrading to those who receive them, and in the present position of society, there is no mode by which the labouring classes can provide for the future, except by saving in the form of money. Hence it is, that now, Banks of Deposit, as moral schools for initiating the habit of saving, and for affording safe custody and increase, for a time at least, to the small savings of the industrious classes, are as essential for their welfare and for the public good, as Banks of Deposit are for the rich; but then, in a mercantile sense, these Banks should occupy a low place. It is not the purpose of Savings Banks to receive, or even primarily to foster capitals, wherewith Depositors may commence trade. It cannot reasonably be looked for, or safely attempted, that the interest annually allowed on a Savings Bank Deposit Account, is to be a fund whereon a Depositor may subsist. It is not their purpose to encourage the bequest by depositors of accumulations to relatives;—this latter disposal of such funds is attended, in the lower ranks of society, with evil as frequently as with good results—"gifted gear is not like won." The purpose of Savings Banks is more comprehensive, namely, to enable and to encourage the labouring poor,—the *whole* of *them*, of *either sex*, to *commence* saving; and whatever little stores they may accumulate, we look merely to being again exhausted by themselves and on themselves. Higher pecuniary ambition is comparatively unimportant, if each generation itself accumulates, and again consumes the whole; the main point—independence is gained.

Many will no doubt do a great deal more than this. They will not only provide for a passing emergency, but those whose habit in early life was initiated at the Savings Bank, will, in ordinary circumstances, continue the habit successfully, so that, such as survive to an advanced age, will seldom fail, at that age, to possess a fund adequate in some shape to supply more than their wants. This is the probable result of even a small beginning, whether in more advanced stages the accumulation be kept at the Savings Bank or not. The general aspirations of Savings Banks have been different heretofore; in a pecuniary sense, above this; in a moral sense, quite beneath it. It has been in a later stage chiefly that funds have come to Savings Banks. They have at best only afforded accommodation to persons predisposed to accumulate, and who had previously to some extent advanced. But it is the sowing of the seed, and caring for the plant, until it is fit to be transplanted, if it ever becomes so, that is the proper duty of Savings Banks.

It may be useful to afford investment to the owner of a balance of L.100; but such a balance heretofore has cost the public just twenty times as much as the balance of L.5; and there can be no question that

the public interest is more concerned in the welfare of twenty of the latter accounts, or perhaps even one such account. At present, about one-third of the whole amount at the credit of private depositors in Savings Banks is in balances above L.100 each, which is an evil, unless Government wants the money; and at all events, it is a great evil, that while such balances yield a large surplus for expenses, a Savings Bank with small balances *only*, cannot be carried on, because it cannot possibly be made to pay its expenses even by the most rigid economy.

Farther Limitation of Deposits.

It would be a desirable thing for the Government, be no hardship on depositors, and not injurious to the efficiency of Savings Banks,—to limit the amounts to be received to three years in place of five years, of L.30 a year, that is, to L.90 in place of L.150 of principal in all; and with interest, to an ultimatum of L.100 in place of L.200. These limits need only apply to sums to be hereafter received, thus checking the increase in every case of the larger accumulations. The present time is, to the depositors at least, peculiarly favourable for introducing those restrictions, and under what follows, a great amount of the larger balances would be gradually removed.

Limits to the amounts receivable are necessary, as a safeguard against circumstances that may not be foreseen. But, compared with the ordinary temptations to deposit, these limits should be so wide as to hold out no inducement to reach, much more to evade them; and if the rate of interest be properly regulated, the *amounts* will regulate themselves better than can be done by any artificial means. Mere legal barriers offend where they are rigidly enforced; but to a large extent, they have been evaded in Savings Banks, and ever will, until the interest be properly regulated. It is melancholy to think how much these establishments have done to spread the debasing usage of making false declarations, in classes above the labouring portion of society. The rate of interest should offer no peculiar temptation to depositors to accumulate balances up to the limits of the Acts—much less, by large single deposits, to overpass them by so easy, but at the same time, so degrading a procedure.*

* Since these suggestions were sent to the press, we find the following old proposals revived—namely, to require that balances, on reaching a certain amount, should be invested directly in the Public Funds—or to give a lower rate of interest on the larger balances—or to limit farther the amounts to be received from individuals, as we have above proposed, but without, under any of these changes, introducing more exact attention to the regulation of the rate of interest.

Whatever may be the experience of France, as yet we cannot see that these changes would check existing evils, and far less would they afford the foundation of a sound system. The tendency to illegitimate deposit would continue as great as ever, and an

Rate of Interest to Depositors.

If we were called on to name a rate of interest as safe and suitable, to be given to the Depositors in Savings Banks, we should define it as one quarter per cent. below the return to be had from the public funds. Experience and attention to the subject under it, could not fail to prove very soon what the rate should be. A very vague approximation at first would be quite sufficient; the actual rate is, comparatively, unimportant. The all-important thing in Savings Bank interest, is to keep the same *relative* rate; that it should vary, so as during all periods to bear the same *relation* to the value of money—to the rate of return for money elsewhere.

There is reason now for doubting if the Public Funds, taken alone, afford the best attainable scale for the regulation of Savings Bank interest; or whether direct investment in the Funds is the best mode of disposing of the money collected at Savings Banks; or whether, for example, the form of an Exchequer Bill Fund might not have greater advantages. But it is not necessary here to enter into these questions. The views that follow are independent of such considerations, and are expressed as if the Funds remained both the index to the rate of interest and the place of investment.

The rate of Interest should be steadily regulated.

Some authority there must be in or under Government at present, to arrange the rate of interest when necessary, in many cases.—Why not in the case of Savings Banks? Deviations of less than a quarter per cent. are perhaps unimportant, so that actual change need not often occur; but, in the words of a former memorial, "It is of the greatest importance to 'enact a fixed principle for the future adjustment (yearly or half-yearly) 'of the rate of interest to depositors, and by this means, to preclude the 'necessity for (*frequent*) future legislation in the matter; and in that 'case, any intermediate rise or fall in the market rate of interest, would 'produce no injurious consequences, from the certain prospect, in the 'minds of the public and of the depositors, that a fair adjustment of the 'rate of interest (if needful) would follow at the ensuing 20th May, or '20th November."

These views were attempted to be generally explained in London by a deputation in 1844, but it was then too late to get them digested and at-

universal system of *splitting accounts* would be the consequence. No better or more useful incentives to exertion would be infused into the officers at Savings Banks; and finally, we venture to assert, that however benevolent the motives or ends sought, or however cunningly devised the means, no system embracing the entire population, can be safe, manageable, and ultimately good for the people, or comprehensively useful, that is not based on and regulated by natural principles.

tended to. That deputation farther explained, *First*, That they were so situated in reference to Joint Stock Banks, that they dared not even attempt to secure their safety by aspiring after the larger class of deposits. And *Second*, That they would not slacken their efforts to increase, in place of checking, the progress of small accounts, feeling confident that when the absurdity and rottenness of the present system (a fixed rate of interest) became more glaringly apparent, a remedy would be applied.

According to the present mode of allocating the provision for expenses, the average balance at a Savings Bank should not get below L.20; but by giving a lower rate of interest than 3 per cent. to their depositors, many Savings Banks in the northern part of the kingdom, have been carried on with balances that have never exceeded an average of L.15. But the market rate of interest has now risen; the predicted crisis has come. This average must become rapidly lower by the removal of the larger balances. It may be reduced to less than L.10, which would leave an average annual loss of 6d. on each account. This, in the case of one Savings Bank, indicates an excess of expense over the sum applicable to expenses of above L.600 a year, and in like proportion at other institutions; this must ere long bring down these institutions of course, and remedy by the trustees is impossible.

If they, in defiance of the Act of Parliament, were to *raise* the rate of interest to their depositors, this deficit would be thereby directly augmented.

If they *lower* that rate in defiance of the increased market rate, the deficit must be augmented also, by expediting the demands for repayment of the larger balances, and so reduce the average balance lower and faster.

The small accounts during this procedure, are in no degree lessened in number or amount. The prospect of future expense of management is not therefore lessened. Both the good and the evil of Savings Banks are at present in active progress. There is a large amount of small deposit coming in, but there is a much larger amount of sums that should never have come into the Savings Banks going out. The effect is a run (not a panic) caused by the absence of a reasonable hope of adjustment of the rate of interest. This is in itself a great evil, an heartless traffic with Savings Banks, whether it be to draw or lodge money on the mere score of interest,—quite foreign to the purpose of such institutions; and Savings Banks distant from London, even in ordinary times, suffer severe loss by exchange on amounts remitted and re-remitted, in consequence of these alternate currents.

The mere stability of Savings Banks might be secured under a fixed rate of interest; but this fixity must even then impair—fearfully impair their usefulness, and cause much evil to mingle with the good they accomplish.

Loss to the Government by a fixed rate of Interest.

It is here, of course, that this master evil of the present system concentrates its power. So destructive and so glaring are its consequences under this view, that an apology is requisite for tracing the subject farther, and this apology consists in a fixed rate of interest still numbering many defenders. During the fearful stagnation of trade some years since, it was more than once argued in Parliament, that the great increase of the deposits in Savings Banks afforded evidence, that over the kingdom generally distress did not prevail. The true explanation of this excess of deposit was, that all over the three kingdoms the rate of interest at Savings Banks was relatively high, and in them, not little savings, but investments, were lodged in one name or another. Had it not been for these improper deposits, there might have been probably some falling off during those years. Government would have been called on to meet the wants of the operatives by repaying deposits, as they naturally should be, when the public funds were very high, and on the amount of sales a very handsome profit would have been realized.

Employment has now become abundant, and, (notwithstanding the high price of provisions,) the deposits of the able-bodied operative classes are greatly increased. But the rate of interest is relatively low at Savings Banks, and so the aggregate of deposits is generally diminishing, though, as yet, very fast only in the north; and Government must be selling largely out of the funds—they being very low in price.

The Government not only generally holds a greater amount of money than it otherwise should, but, when the market rate of interest is low, money, far beyond the amount of proper Savings Bank deposit, flows into the Savings Banks, and thence to the Commissioners in superabundance, and the price of the funds being then of course high, it is not a suitable time for investment in these securities.

When the market rate of interest again rises high, the same money is rapidly removed from the Savings Banks, drafts on the Commissioners follow—the public funds being of course low in price.

A fixed rate of interest, then, occasions loss to the State, more even by frequent fluctuations, perhaps, than by the amounts moved. Loss to the Government on every time of investment in the public funds on account of Savings Banks, under a fixed rate of interest, is a thing certain; because, as a matter of course, under this state of things, Government will regularly be called on to invest largely when the rate of interest is low, and to sell largely when the rate of interest is high. The need for the one and the other being the mere creation of a fixed rate of interest, there is no difference practically between the absurdity of an Act of Parliament *fixing* the rate of interest, and an Act commanding the Commissioners to sell out of the funds *always* when the funds are low in price, and to buy

always when they are high; a title to an Act under the latter form of expression, would only make that absurdity a little more readily seen.

The Savings Banks themselves tend powerfully (at present) to enlarge those very fluctuations, out of which this loss arises; not that investments or sales in the funds may make money more or less plentiful, but because a movement over all the Savings Banks in the three kingdoms, acting simultaneously through one channel, on so tender a point, is no light influence, as affecting that one security. It stimulates speculation when that is most excessive. It is a dangerous—purely artificial—and concentrated influence. In place of being sound and natural, it is utterly unnatural. Savings Banks under it are becoming less and less useful, and more and more injurious; and no one can possibly look at the working of it, without declaring, that ere long this must be put an end to.

While the rate of interest was fixed at a rate considerably above what was common, the tide seldom turned. Being now nearer a medium rate, it suits exactly for doing mischief, because the opportunities must be frequent at each Savings Bank of reversing the current; and looking to changes in the price of the funds between 1844 and 1847, and recollecting that we allude to millions of pounds, the effects are far from insignificant.

There can be no steadiness in a bank of any kind, with a fixed medium rate. If it be at a medium, it must be changed with the change at market rate, or produce frequent serious consequences. If it is to be fixed, a very high standard with its peculiar evils is needful; and that gives only a better hope, but no security, against the evils now spoken of.

The proper depositors in Savings Banks are no gainers by all this. It affords scope for speculators of the highest grade. But we pass them by, to notice more particularly those, specimens of whom we are more used to see; tens of thousands of small capitalists are set in motion by it; Government, with its eyes shut and its feet tied by an Act of Parliament, is the pigeon to be plucked by all, though this is not the motive, or even a feeling recognised perhaps by the parties themselves. The *natural* action of Savings Banks is cramped and reversed, the tide flows when *naturally* it should ebb, and ebbs when *naturally* it should flow. These little capitalists are moving investments, not lodging savings, or drawing for support, and their operations so far, in amount, exceed those of the proper depositor, that they reverse the natural current; they cause money to flow *to* the Government when the Funds are high in price, and *from* the Government when the Funds are low in price. No penalties, declarations, or visits by Inspectors, ever can, under a fixed rate of interest, prevent all this; but it can easily and most completely be put an end to, by mere attention to the rate of interest, by regulating according to the value of money, say, having a constant relation to the value of the Public Funds, of one quarter per cent. below the return from the Funds, re-

collecting that uniformity of relation is of far more importance than actual rate, whether high or low.

We are not here condemning speculators in a free market; they regulate and steady it; in a fixed one, agents apparently insignificant can work mischief on a large scale.

For the sake of illustration, let us now again examine the cost, or loss, to the public.

I. LOSS to the Government annually, under the existing system—

One quarter per cent. beyond the return from the public funds, and L.5000 for Brokerage, &c., -	L.80,000

The remaining item we have commented upon somewhat freely, but it is impossible to estimate its amount with certainty. If Government borrowed the money, at a fixed rate, *and* for fixed *periods*, it would be a fair speculation, and chance of loss or gain; but that mode would not suit for Savings Banks. As regards the Savings Banks, Government is truly their Banker. The regulation of the rate of interest is its only protection and guide. To fix this for long periods, is like fixing the price of wages, or corn, or cotton, and offering *either* to buy or to sell (!) all the while—loss is a thing certain; and the artificial impulse disturbs a thousand otherwise natural under-currents. We shall not name a probable amount, but as a mere mode of indicating it, as on a series of years, say $\frac{1}{4}$ per cent., even that is per annum, . . 75,000

Annual Loss, L.155,000

II. GAIN, or profit to Government, from the proposed System, as previously explained—

One quarter per cent. on the return made by the public funds, ...	L.75,000
Deduct—Cost of Management, including L.5000 for Brokerage, and L.2500 per annum for Inspectors, as on page 11, ...	61,875

Annual Gain, L.13,125

III. Comparative View—

Loss, as under the existing system, .	L.155,000
Gain, as under the proposed system, .	13,125

Annual Difference, or Sum saved, L.168,125

There are three views to be reflected upon in reference to this sum :—

First, It is expended in *enlarging* fluctuations in the price of the Funds.

Second, It is assuredly a low estimate of the cost to the Government.

Third, It in a great measure destroys the utility, by exactly reversing the natural action, of Savings Banks.

Gain to the Government by a properly regulated rate of Interest.

Under a properly regulated rate of interest, the natural state of things would come out—and how different the result! It is not desirable, perhaps, that Government should betake itself to banking, nor that the welfare of Savings Banks should in any measure be sacrificed for the sake of adding to the Revenue; but it were well to avoid creating dangerous fluctuations, and suffering loss. If the interest to the trustees of Savings Banks were duly regulated, the reverse of all we have stated would naturally follow. Whenever the rate of interest and of wages was high, and a full demand for capital and labour existed, the labouring classes would, compared with their resources, be depositing largely; the price of the public funds being *then low*, and Government then investing. When depression ensued, and wages and interest fell, and the public funds *rose high*, then Government would be naturally called on to realize, and it would do so with large profit. Let but the rate of interest be duly regulated, and Government will get quit of the investors or little capitalists to a large extent, and those that remain will be steady. The chief movements will then be in taking money from the labouring classes, when the latter can spare it, and in repaying it again to them when needed, and in place of certain loss, as at present, certain gain to Government *is the natural result*.

This is the easiest, and it can scarce fail to be the surest form of Banking. Government has, and should have, always the monopoly of it. The regulation of the rate of interest is the *only* point to be attended to, keeping in view constantly the same relation to the market value of money. To secure this, no very particular study of the state or prospects of the money market can be requisite; an alteration of the rate should never be made to produce a stimulant, but to remove one; to check movements on the mere score of interest. The flow of the tide will then be regulated by the proper and genuine Savings Bank depositors. When capital is fully employed, and interest high, and the public Funds low in price, then labour will be fully employed at high wages, and (even though provisions may be also high,) money should flow from the Savings Banks to the Government. When a depression of trade returns, and interest and wages fall low, and the public Funds are high in price, then Government must be called on to realize; the tide is from the Government, and a *profit* is *naturally left behind*.

The constant influence, by Savings Banks, on the public Funds, would be to lessen fluctuations in the price of the public Funds; to cause Government to sell when the Funds rise high, to buy when the Funds fall low. Investments and sales on account of the Savings Banks would be then less frequent and less extensive. It would necessarily be a mere quiet excess of flow of demand or supply.

The interest at Savings Banks could not locally, in all parts of the three kingdoms, have the same relation to the value of money; but this would not prevent its local relations at each place being nearly uniform. This, we apprehend, is all that is needed; and this would be maintained with sufficient accuracy if London, or rather the Funds, as the centre, be taken as the guide.

When we assume the public Funds high, and wages and interest low, —or the public Funds low, and wages and interest high,—these are taken as natural, and therefore, probable and frequently recurring coincidents, but not as *necessarily* coincident. It is intended to be asserted only, that anticipated results as regards Savings Banks may be depended on when these do, as in general they will, coincide.

After a very bad harvest, the public Funds and wages may both fall low; or, after a very good harvest, the demand for labour may be great, and wages and the Funds be high, and provisions low; but these are mere oscillations in the steady progress of events; Government does not necessarily either gain or lose by them on account of Savings Banks, though all the while these Institutions may be serving their purpose as the storehouses for the poor.

An artificial state of things is, for a time of course, possible, such as the prospect of an invasion or a revolution. We know of no remedy for the public Funds in such emergencies. They will come down independently of any movement at Savings Banks,—they must be in the hands of some parties; and we assert farther, that there can be no better protective or preventive in the prospect of such times, than that the multitudes of the people should be interested in the Funds. In place of a danger and a rottenness, as they now are, a system of prodigious importance and mighty and healthful strength might thus grow up from Savings Banks. They may become the very sinews of the Body Politic.

Effect in the Money Market, of a regulation of Savings Bank Interest, the reverse of that heretofore pursued.—We passed from the consideration of Savings Bank management in detail, to the consideration of the welfare of the Government and of the money market, as connected with Savings Banks, with great diffidence; and if we really magnify the influence of these institutions, this, at least, has not been the common error.

Many persons are deluded by the fact, that the rate of Savings Bank interest has remained fixed for long periods, without considering that this

just means that it has fluctuated in the way which is almost alone influential, namely, *relatively*. In order to measure the amount of this fluctuation, we must, of course, not compare it with investments that have become more or less secure; but, for example, with the return from the public Funds, which is almost the same security. We must recollect, too, the trivial shades of difference that are estimated in these securities; also, that Savings Bank influence at present must, or will at least, uniformly be cast into the wrong scale of that most sensitive and complex balance—the money market, though the natural tendency of that balance is to be constantly adjusting itself, by giving or taking at all points, and that the *natural* tendency of Savings Banks should be to aid in this adjustment, in place of, as at present, always farther disturbing it.

It is as natural for the industrious poor to gather supplies when wages are high, and to consume those supplies when want from any cause overtakes them, as for the bee to gather honey during the summer, and to consume it during winter. Each individual must wish he possessed such a provision, though he may fail to use the means for obtaining it. Industry and frugal habits he must be willing to exercise, or no one can properly help him. But there is another formidable difficulty which the individual cannot remove, that is, the absence of security or safe custody. This the Government can give with little outlay, but then security is itself an element in estimating the rate of interest, and interest must be interfered with very cautiously, and *if* interfered with, the weight of interference must be always put into that which, for the time, is the right scale of the balance, *thus*,—

Assuming the ordinary rate of interest allowed to the depositors in Savings Banks to be one quarter per cent. below the return from the public Funds; and supposing,

First, An unusual demand for capital to arise, that wages and the rate of interest are rising, and the public Funds descending in price, it might be safe, perhaps even useful, to raise the rate of interest to Savings Bank depositors, not only actually, but *relatively*, say at least up to the full rate of return from the public Funds. That would just be saying to the labourer, Now is your harvest; make hay while the sun shines; we can for a time raise the rate of interest to you, not only actually but relatively. It would be tantamount to saying to the Government, Get money now from the labouring classes while they can save it, and while the public Funds are low; and to the capitalists, We shall gather up the waste, and all that is saved by the poor shall be sent to the Funds again, to replace the sums capitalists are removing. The money is, of course, just flowing in a circle. The owners of capital are realizing from the public Funds; the poor, so far as in them lies, are supplying the void so created. They are reaping some of the common benefit too, and they are thus rather restrained from trivial speculation and small lending.

Second, Suppose that a depression of trade next ensues. The sellers

out of the Funds are less numerous, and more purchasers begin to appear. The remittances from Savings Banks would then increase *greatly* under the present system, but not so, if it was known that a reduction of Savings Bank interest would soon follow as a matter of course; it is time to reduce the rate of interest, not actually only, but relatively, not perhaps only to one quarter below the return from the public Funds, but to one half per cent. below that rate. The rich will begin to flow to the public Funds for investment; the poor will begin to draw on the Savings Banks for support. The course of traversing the monetary circle is just reversed, but in a short time Savings Banks may be let drop again into the usual rate of one quarter per cent. below the return from the Funds.

It would be difficult at Savings Banks to change the rate of interest oftener than twice in a year, but even that could very rarely indeed be requisite; and if the public knew that future adjustment was *to be expected* at the 20th May or 20th November, an intermediate rise or fall in the market rate would produce no injurious consequences.

Difficulties may have suggested themselves in the course of reading these suggestions, from the anomalous state of the Irish Savings Banks, and in reference to the Separate Surplus Fund in the hands of the Government; but without any wish to avoid the consideration of these questions, we must forbear doing so for the present.

APPENDIX.

Future Checks.

The plan of providing for expenses at Savings Banks, as proposed at the first part of these suggestions, removes temptation on the part of the officers at Savings Banks to encourage abuse in the form of depositing large sums. But it is requisite to show that abuse under this plan may not be profitable to them in other forms.

Number of Operations by Depositors at 10s. per hundred.—This number is known at every Savings Bank. It indicates more correctly than any other circumstance, both the amount of labour and of accommodation bestowed. Were the number of sums deposited alone taken, though probably equally well known to the officers, the number of them separately could not, in the case of many Savings Banks, be so easily proved to the satisfaction of a third party, should that be deemed requisite. We therefore take the entire number of operations, including sums paid out.

A system of Book-keeping, as complete as is to be found in any ordinary banking-house, should, so far as requisite for this department of banking, be expected. The rate of ten shillings per hundred operations, is less than the unavoidable expense attending this, and therefore there is no inducement to permit or encourage the number of operations to exceed what may seem really useful.

In Savings Banks over England, Ireland, and Scotland, there is not (on the result of an extensive trial of this) a very material difference on the average number of operations by individual depositors annually. In the latter, the average number is less in excess of the two former than might be expected.

The depositors of the northern part of the island are in this view divisible into two great classes :—

First, Those who receive their renumeration at short intervals of seven, fourteen, and twenty-eight days, and who visit the Savings Banks on an average much more frequently than three times in the year.

Second, Those who receive their wages only twice in the year, and who are very numerous, and call at the Savings Banks, on an average, little more than once in the year. The result on the whole is little more than three visits for each depositor annually.

In a manufacturing district, however, this average should be greater when the subject is judiciously urged, and a fixed limit in proportion either to the amount of funds, or to the number of accounts, could not be safely relied on, though apparent excess may be a good reason for enquiry or inspection. But ample security against abuse exists in the fact of fixing the allowance decidedly under the cost that operations create at the bank.

Two-pence on each Account on which interest is added at the 20th November.—This number is easily ascertained. There is unquestionably a tendency at present to include trivial and forgotten fractions of balances as accounts, in order that they may aid in keeping down the apparent amount of average balance where that is a desired object. This object would of course cease to exist; and—

First, These are rarely sums to which interest is added at the 20th November; and—

Second, A slight change in the Annual Return would render this form of deception impossible. Even at present, a very simple analysis of the return exposes the existence of such fractions carelessly, or, as is alleged, purposely permitted to accumulate.

The scope for artifice in these two respects is quite trivial, even were there to be no other check or risk of inspection.

The sum of 1s. per cent. on the funds at the 20th November, needs no explanation. It is the benefit ceded to existing Savings Banks, holding many large fixed investments.

The fixed allowance could rarely call for attention or alteration. Its reduction would be the dreaded and occasional penalty for a Savings Bank inefficiently conducted, and not answering the end contemplated; its increase, the reward of successful labour.

Annual Return.—The results of these items would stand in the Debtor side of the Annual Return; and if objected to, the correction would form a cross entry, on its being notified. This return should be all as at present, with a little additional minuteness of classification. By a classified analysis, the revision of these returns at the N. D. Office could be made searching and expeditious; but this form of payment alters the position of the party entrusted to examine these returns.

At the National Debts Office, a new system, and different checks, would be requisite. It ceases to be a question of interest decided on the mere arrival of the 20th November, and becomes one of claims included in the respective returns, to be examined, allowed, or corrected, and warrants issued accordingly; but still a very simple undertaking, in which it is easy to interpose checks; and if a new and better impulse and direction can be thus given to the system over the united kingdom,

it is worth that trouble by a thousand-fold, and cannot surely be objected to in such a quarter.

Re-application of part of the Fund saved.—It will afford us the greatest satisfaction to see a better system, or improvements suggested on that recommended here. The probable complaint by the officers of Savings Banks is, that our provisions for expenses are too rigid. If an addition is deemed requisite, the per-centage on operations, or the fixed allowance, might, with least chance of evil consequences, be increased.* The saving by the Government would be large; and if even a large portion of the sum saved again be usefully bestowed in the furtherance of the objects, moral and pecuniary, of Savings Banks, its re-bestowal need not be grudged. By degrees a considerable part might be reclaimed; not through an enlarged amount of funds in the hands of the Commissioners, for that amount we should expect for long to decline, but as the fruit of genuine toil and success amongst the labouring populations, by the springing and nourishing for a time, of additional millions in number of small accounts, those plants that may never rise out of the Savings Banks; but which, whether they do so or not, will, in all ordinary circumstances, secure the independence of their owners.

Sources of Additional Revenue in Savings Banks.—The preceding remarks assume that the full rate of three per cent. is paid to the depositors, because the remaining quarter per cent. has been the acknowledged measure of the Government bounty, and on this our previous calculations bear; but the rates given to depositors by their Trustees, vary by numerous minute differences, from L.2, 10s. to L.3, or L.3, 0s. 10d. per cent. It would be convenient, and in other respects desirable, that all

* Table—same as Example No. IV., except that 12s. 6d., in place of 10s., is allowed for each 100 operations; and which addition corresponds to £6562, 10s. on the existing number and extent of Savings Banks.

Number of Accounts 5000.

	1	2	Provision for Expenses.														8
	Total Capital.	Average Balance on Accounts.	3 1/ per cent. on Capital.		4 Two-pence per Account.			5 12/6 per hundred Operations.		6 Fixed Allowance, 3—4ths of No. 4, & 5.			7 Total of No. 3, 4, 5, & 6.			Equal for each Account to.	
	£	£	£	s.	£	s.	d.	£	s.	£	s.	d.	£	s.	d.	s.	d.
Bank A.	225,000	45	112	10	41	13	4	93	15	101	11		349	9	7	1	4^{7}
... B.	200,000	40	100	0	41	13	4	93	15	101	11		336	19	7	1	4
... C.	150,000	30	75	0	41	13	4	93	15	101	11		311	19	7	1	2^{10}
... D.	100,000	20	50	0	41	13	4	93	15	101	11		286	19	7	1	1^{8}
... E.	75,000	15	37	10	41	13	4	93	15	101	11		274	9	7	1	1^{1}
... F.	50,000	10	25	0	41	13	4	93	15	101	11		261	19	7	1	0^{6}
... G.	25,000	5	12	10	41	13	4	93	15	101	11		249	9	7	0	11^{11}

Savings Banks should allow the same rate, with possibly rare exceptions for special ends; but there are other sources of additional revenue. The amount produced by trifles would startle the uninitiated, and it is not necessary to name amounts. It is enough to describe the sources whence they are obtained, adding that at few Savings Banks are all taken, and at many only those that are unavoidable.

1*st*, Interest is credited at the end, and debited as at the beginning of fixed periods, as the passing week, ten days, or month.

2*d*, Interest stops when a notice of withdrawal is given, and is not restored for the period of notice if the sum be not after all taken out.

3*d*, In the detail of computation of interest, tenths, twelfths, or one-fourth of a penny, or half-pence, are dropped.

4*th*, Interest is not allowed on deposits under 5s. 10s. 15s. L.1, or some other amount termed the minimum.

5*th*, Charge for deposit-books of 1d., or other small amount not exceeding 6d.

6*th*, Charge for copy of the annual state 1d.; allowed by the Act.

And one or two others that do not require particular notice.

It appears the most useless of labour to add the interest to the depositors' amounts half-yearly; but in doing so, even once a year, there is, unavoidably, a gain upon each account of an average of L.0 0 0^{6}

NOTE.—Much has been said of Interest on balances on which no Interest is allowed; and in some Banks this may be considerable, but in others exceedingly insignificant. It depends on the mode of executing the detail.

To debit or credit the Interest on the operations at the end and beginning of the week respectively, would tend to check superfluous visits. The average *time* gained would thus be $3\frac{1}{2}$ days—assuming the operations to amount to one-half the accumulated capital annually—and the average balance to be L.10, it is worth 6^{6}d. per cent., and per account, about * . . . - 0 0 0^{9}

L.0 0 1^{3}

Accounts may last on an average four years. There is much carelessness, however, about opening and closing them. A charge of 2d. for a new book, when the old is lost, or the account closed, would produce per account, . 0 0 0^{6}

Carry over—Sum, L.0 0 1^{9}

* If the average balance in the Bank was L.40, this would produce 3d. per account, and with the preceding and following ½d., and the sum of 1s. 2d., in our scale, gives in all 1s. 6^{7}d. per account, in a bank where the average balance is L.40, according to the table at Example No. IV.

Brought over,	L.0	0	1^{9}
Under the average balance of L.5 in our proposed scale, the sum per account is equal to . .	0	0	10^{4}
Thus reaching the desired amount of 1s., per account, and leaving a margin of 1-12th of a penny, even at an average balance of L.5, . .	L.0	1	0^{1}

The *Ordinary Expenses* of a large Savings Bank, in which the accounts are small, and of course numerous, are not in general understood.

Clerks, one to nearly every 3000 Accounts.

Rent, much space being essential.

Printing and Stationery, are very large items compared with amounts disposed of.

Postages.—Correspondence by letter is as far as possible limited, and the rule and understanding is, that depositors pay postages, but they do not; they keep in general on the north side of the bank in this, and the penny post reform has proved doubtful as a pecuniary benefit.

Bankers Commission, exchange with London, &c.

Wages, Taxes, and incidents corresponding to an establishment that is large as compared with the items by which it is upheld, and which, in this respect, is essentially different from a Savings Bank that approaches more into the sphere of the ordinary Banker.

Banks hereafter established.—Under the system before described, there could remain little temptation to establish a Savings Bank from any inferior or unworthy motive; because no such institution could be rendered very profitable, and not, on the most moderate estimate, remunerating even, without doing the work intended; still, previous to being sanctioned, a need, and probable benefit, ought to be shewn.

H. & J. Pillans, Printers, Mound Place.